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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
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26285

7590

10/16/2008

K&L GATES LLP  
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EXAMINER

VIZVARY, GERALD C

ART UNIT

PAPER NUMBER

3696

MAIL DATE

DELIVERY MODE

10/16/2008

PAPER

**Please find below and/or attached an Office communication concerning this application or proceeding.**

The time period for reply, if any, is set in the attached communication.

<b>Office Action Summary</b>	<b>Application No.</b> 10/703,975	<b>Applicant(s)</b> SAVASOGLU ET AL.	
	<b>Examiner</b> GERALD C. VIZVARY	<b>Art Unit</b> 3696	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

### Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

### Status

- 1) ☒ Responsive to communication(s) filed on 18 July 2008.
- 2a) ☐ This action is **FINAL**.                      2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

### Disposition of Claims

- 4) ☒ Claim(s) 16-29 and 31 is/are pending in the application.
- 4a) Of the above claim(s) \_\_\_\_\_ is/are withdrawn from consideration.
- 5) ☐ Claim(s) \_\_\_\_\_ is/are allowed.
- 6) ☒ Claim(s) 16-29 and 31 is/are rejected.
- 7) ☐ Claim(s) \_\_\_\_\_ is/are objected to.
- 8) ☐ Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

### Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on \_\_\_\_\_ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.  
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).  
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

### Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All    b) ☐ Some \*    c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
  2. ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
  3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

### Attachment(s)

- |  |   |
|--|---|
| 1) <input checked="" type="checkbox"/> Notice of References Cited (PTO-892)            | 4) <input type="checkbox"/> Interview Summary (PTO-413)           |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948)   | Paper No(s)/Mail Date. _____                                      |
| 3) <input checked="" type="checkbox"/> Information Disclosure Statement(s) (PTO/SB/08) | 5) <input type="checkbox"/> Notice of Informal Patent Application |
| Paper No(s)/Mail Date <u>7/18/2008 &amp; 8/29/2008</u> .                               | 6) <input type="checkbox"/> Other: _____                          |

## **DETAILED ACTION**

### **Request for Continued Examination**

1. A request for continued examination under 37 CFR 1.114, including the fee set forth in 37 CFR 1.17(e), was filed in this application after final rejection. Since this application is eligible for continued examination under 37 CFR 1.114, and the fee set forth in 37 CFR 1.17(e) has been timely paid, the finality of the previous Office action has been withdrawn pursuant to 37 CFR 1.114. Applicant's submission filed on 7/18/2008 has been entered.

### ***Information Disclosure Statement***

2. The information disclosure statements (IDS) submitted on 7/18/2008 & 8/29/2008 were considered by the examiner.

1-15. (Canceled)

### ***Claim Rejections - 35 USC § 102***

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of application for patent in the United States.

3. Claims 16-29 & 31 are rejected under 35 U.S.C. 102(b) as being anticipated by Ross US 2003/009406 A1.

As per claim 16 (Currently Amended), Ross US 2003/009406 A1 discloses a financial method comprising the steps of:

issuing a straight, nonconvertible debt security ~~to a holder~~, the straight debt security including a maturity component providing a maturity term of the straight debt security, a

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reset component specifying terms and conditions for resetting a yield of the straight debt security, and a remarketing component providing terms and conditions for remarketing the straight debt security to new investors (The stock may be stock in the issuer. The stock may be stock in an entity having a legal relationship with the issuer. The legal relationship may be selected from the group including, but not limited to: a) parent company; b) subsidiary; and c) holding company. The stock may be stock in an entity that is not legally related to the issuer. The stock may be in an entity whose stock is publicly traded. The obligation may be sold to a holder by an underwriter. The obligation may be sold by the issuer to the underwriter for resale to the holder. Ross US 2003/009406 A1 ¶ [0021]-[0022]); and

~~offering~~ remarketing, at a remarketing time, the straight debt security by redeeming the straight debt security from a holder thereof and offering a remarketed straight, nonconvertible debt security to one or more new investors, wherein, after remarketing, the remarketed straight debt security remains outstanding and potential recapture of excess tax benefits is postponed until the time the remarketed straight debt security ceases to be outstanding. ("Each holder may agree, for U.S. federal income tax purposes, to treat the notes as "contingent payment debt instruments" and to be bound by Issuer's application of the Treasury regulations that govern contingent payment debt instruments, including Issuer's determination that the rate at which interest may be deemed to accrue for federal income tax purposes may be 7.51%, compounded semi-annually, which may be the rate comparable to the rate at which Issuer may borrow on a noncontingent, nonconvertable borrowing with terms and conditions otherwise

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comparable to the notes (including the rank, term, and general market conditions)."

Ross US 2003/009406 A1 ¶ [0035])

As per claim 17 (Original), Ross US 2003/009406 A1 discloses a method of claim 16, further comprising calculating projected contingent payments ("Each holder may agree, for U.S. federal income tax purposes, to treat the notes as "contingent payment debt instruments" and to be bound by Issuer's application of the Treasury regulations that govern contingent payment debt instruments, including Issuer's determination that the rate at which interest may be deemed to accrue for federal income tax purposes may be 7.51%, compounded semi-annually, which may be the rate comparable to the rate at which Issuer may borrow on a noncontingent, nonconvertible borrowing with terms and conditions otherwise comparable to the notes (including the rank, term, and general market conditions). Ross US 2003/009406 A1 ¶ [0035])

As per claim 18 (Original), Ross US 2003/009406 A1 discloses a method of claim 17, wherein the projected contingent payments are calculated based on one or more of forward rates and/or expected values of the contingent payments. ("Issuer may increase the conversion rate as a permitted by law for at least 20 days, so long as the increase is irrevocable during the period. No adjustment in the Accreted Conversion Price may necessarily be required unless the adjustment would require an increase or decrease of at least 1% of the Accreted Conversion Price. If the Adjustment is not made because the adjustment does not change the Accreted Conversion Price by more than 1%, then

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the adjustment that is not made may be carried forward and taken into account in any future adjustment. Except as specifically described above, the Accreted Conversion Price may not necessarily be subject to adjustment in the case of the issuance of any of the common stock of Support Company, or securities convertible into or exchangeable for the common stock of Support Company.”. Ross US 2003/009406 A1 ¶ [0125])

As per claim 19 (Original), Ross US 2003/009406 A1 discloses a method of claim 18, wherein a comparable yield is determined by referencing a yield of a fixed-rate debt instrument with terms and conditions similar to terms and conditions of the straight debt security. (“In one embodiment a method for conducting a transaction is provided, comprising: setting an initial yield for an obligation issued by an issuer, wherein the initial yield is applied to the obligation for an initial time period; setting a current yield for the obligation, wherein the current yield is applied to the obligation after the initial time period has elapsed, and wherein the current yield is set equal to one of a first reset yield and a second reset yield, depending upon a value of a share of a stock in relation to an accreted conversion price of the obligation; and permitting conversion of the obligation into the stock according to a conversion formula.” Ross US 2003/009406 A1 ¶ [0006])

As per claim 20 (Currently Amended), Ross US 2003/009406 A1 discloses a method of claim 16, further comprising adjusting, at [[a]] the remarketing time, a yield of the remarketed straight debt security for a period of three months after the remarketing time, to a benchmark interest rate in effect at least three months earlier than the

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remarketing time. ("Issuer may provide to each holder of Registrable Securities copies of the prospectus that is a part of the shelf registration statement, notify each holder when the shelf registration statement has become effective and take certain other actions required to permit public resales of the Registrable Securities. Issuer may suspend the availability of the shelf registration statement and any prospectus for a period not to exceed 45 days in any three-month period or 120 days in any twelve-month period, such period being, referred to as a "Deferral Period"." Ross US 2003/009406 A1 ¶ [0239])

As per claim 21 (Original), Ross US 2003/009406 A1 discloses a method of claim 17, further comprising making adjustments based on a comparison of projected contingent payments to actual contingent payments. . ("For the purposes of this application, a "test window" shall mean a desired number of days over which a test or comparison is performed. Beginning on May 15, 2004, if the closing sales price of the common stock of Support Company is equal to or less than 60% of the Accreted Conversion Price of the notes for any x number of trading days (e.g., 20 trading days) out of the last y number of consecutive trading days (e.g., 30 trading days) ending three business days prior to such date or three business days prior to any May 15 or November 15 thereafter, then the accretion rate on the notes for the semi-annual period commencing on such date may be subject to an increased accretion rate equal to the applicable per annum Reset Rate in effect at that time." Ross US 2003/009406 A1 ¶ [0039])

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As per claim 22 (Original), Ross US 2003/009406 A1 discloses a method of claim 21, wherein if the actual contingent payments exceed the projected contingent payments, a positive adjustment is made. ("Further, the adjusted interest rate may have high value and/or low value caps. Further still, there may be multiple adjusted interest rates for multiple stock price thresholds (wherein the adjusted interest rate may move up and/or down). Further still, there may be a formula or "sliding scale" for setting (e.g., up or down) the adjusted interest rate (e.g., one or both of the first reset accretion rate and the second reset accretion rate) for one or more stock price thresholds (such a "sliding scale" may comprise setting the adjusted interest rate to one or more values depending upon the stock price and the sliding scale may be fixed at the time of the issuance of the obligation and/or the sliding scale may be fixed after the issuance of the obligation and/or the sliding scale may vary over time" Ross US 2003/009406 A1 ¶ [0028])

As per claim 23 (Original), Ross US 2003/009406 A1 discloses a method of claim 21, wherein if the actual contingent payments are less than the projected contingent payments, a negative adjustment is made. ("Further, the adjusted interest rate may have high value and/or low value caps. Further still, there may be multiple adjusted interest rates for multiple stock price thresholds (wherein the adjusted interest rate may move up and/or down). Further still, there may be a formula or "sliding scale" for setting (e.g., up or down) the adjusted interest rate (e.g., one or both of the first reset accretion rate and the second reset accretion rate) for one or more stock price thresholds (such a "sliding scale" may comprise setting the adjusted interest rate to one or more values

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depending upon the stock price and the sliding scale may be fixed at the time of the issuance of the obligation and/or the sliding scale may be fixed after the issuance of the obligation and/or the sliding scale may vary over time” Ross US 2003/009406 A1 ¶ [0028])

As per claim 24 (Original), Ross US 2003/009406 A1 discloses a method of claim 16, wherein the remarketed straight debt security is ~~remarketed as~~ a new one-year straight debt security. (“The hypothetical issue of the debt security may be a hypothetical issue of a senior, nonconvertible, noncontingent, fixed rate debt security. The predetermined maturity may equal a predetermined number of years between 1 and 20.” Ross US 2003/009406 A1 ¶ [0016])

As per claim 25 (Original), Ross US 2003/009406 A1 discloses a method of claim 16, wherein the ~~remarketing component provides that the straight debt security is remarketed as a new~~ remarketed straight debt security ~~having~~ has a term of five or more years. (“The hypothetical issue of the debt security may be a hypothetical issue of a senior, nonconvertible, noncontingent, fixed rate debt security. The predetermined maturity may equal a predetermined number of years between 1 and 20. The terms of the hypothetical issue of the debt security may further include other provisions that are, insofar as commercially practicable for an issue of a senior, nonconvertible, fixed-rate debt security, substantially identical to those of the obligation.” Ross US 2003/009406 A1 ¶ [0016])

As per claim 26 (Currently Amended), Ross US 2003/009406 A1 discloses a method of claim 16, wherein [[a]] the remarketed straight debt security has current coupon payments. ("Another embodiment of the present invention may be used in the context of a security (e.g., a bond) that is not a pure zero-coupon security, wherein the security which is not a pure zero-coupon security may pay a yield based on the price of a tracked stock. For the purposes of the present application, the "yield" associated with the security that is not a pure zero-coupon security may be a "cash payment yield" or a combination of a "cash payment yield" and an "accretion rate". Ross US 7,222,094 B2, col. 4, lines 4-9)

As per claim 27 (Currently Amended), Ross US 2003/009406 A1 discloses a method of claim 16, wherein [[a]] the remarketed straight debt security has no current coupon payments. (One embodiment of the present invention may be used in the context of a pure zero-coupon security (e.g., a bond), wherein the pure zero-coupon security may pay a yield based on the price of a tracked stock. For the purposes of the present application, the "yield" associated with the pure zero-coupon security may be an "accretion rate" Ross US 7,222,094 B2, col. 4, lines 10-18)

As per claim 28 (Original), Ross US 2003/009406 A1 discloses a method of claim 16, wherein the straight debt security is remarketed annually. ("Nov. 15, 2009, in which

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case the Reset Rate will be the One-Year Reset Rate” Ross US 2003/009406 A1 ¶ [0043])

As per claim 29 (Currently Amended), Ross US 2003/009406 A1 discloses a method of claim 16, wherein [[a]] the remarketing time comprises remarketing dates at least every five years. (“May 15, 2006, in which case the Reset Rate will be the Five-Year Reset Rate;” Ross US 2003/009406 A1 ¶ [0041])

30. (Canceled)

As per claim 31 (Previously Presented), Ross US 2003/009406 A1 discloses a method of claim 16, wherein the straight debt security is treated as contingent payment debt instrument because of the reset component. (“In another embodiment a method for conducting a transaction is provided, comprising: setting at least one of an issue price, a maturity date, and a nominal maturity value for an obligation issued by an issuer; setting an initial yield for the obligation, wherein the initial yield is applied to the obligation for an initial time period; setting a current yield for the obligation, wherein the current yield is applied to the obligation after the initial time period has elapsed, and wherein the current yield is set equal to one of a first reset yield and a second reset yield, depending upon a value of a share of a stock in relation to an accreted conversion price of the obligation; and permitting conversion of the obligation into the stock according to a conversion formula.” US 2003/009406 A1 ¶ [0007])

***Response to Arguments***

4. In the remarks filed on 7/18/2008, Applicant argues that

(1) Ross US 7,222,094 does not disclose a straight, nonconvertible debt security.

(2) Ross US 7,222,094 does not disclose a security that is re-marketable.

(3) Ross US 7,222,094 does not disclose that “after remarketing, the remarketed straight debt security remains outstanding and potential recapture of excess tax benefits is postponed until the time the remarketed straight debt security ceases to be outstanding.

In response to (1) Ross US 2003/009406 A1 recites “Another embodiment of the present invention may be used in the context of a security (e.g., a bond) that is not a pure zero-coupon security, wherein the security which is not a pure zero-coupon security may pay a yield based on the price of a tracked stock.” (Ross US 2003/009406 A1 ¶ [0024]) Examiner notes that straight is debt that cannot be exchanged for another asset. Because most bonds are not convertible, they are examples of straight debt. Thus Ross US 2003/009406 A1 discloses straight debt securities.

In response to (2), Ross recites “An Issuer may issue the notes for resale by one or more initial purchasers (or “underwriters”) to note holders (e.g., qualified institutional buyers).” Ross US 2003/009406 A1 ¶ [0031]) Thus Ross does indeed recite the remarketing of securities which include bonds as in (1).

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In response to **(3)** Ross recites ("Each holder may agree, for U.S. federal income tax purposes, to treat the notes as "contingent payment debt instruments" and to be bound by Issuer's application of the Treasury regulations that govern contingent payment debt instruments, including Issuer's determination that the rate at which interest may be deemed to accrue for federal income tax purposes may be 7.51%, compounded semi-annually, which may be the rate comparable to the rate at which Issuer may borrow on a noncontingent, nonconvertible borrowing with terms and conditions otherwise comparable to the notes (including the rank, term, and general market conditions). Accordingly, each holder may be required to accrue interest on a constant yield to maturity basis at that rate, with the result that a holder may recognize taxable income significantly in excess of cash received while the notes are outstanding. In addition, a holder may recognize ordinary income upon a conversion of a note into the common stock of Support Company equal to the excess, if any, between the value of the stock received on the conversion and the holder's adjusted tax basis in the note. It is noted, however, that the application of the regulations that govern contingent payment debt instruments to a holder of a note may be otherwise construed or interpreted by the Internal Revenue Service and it might be determined that, among other differences, a holder should have accrued interest income at a lower rate, should not have recognized income or gain upon the conversion, or should not have recognized ordinary income upon a taxable disposition of a note. Ross US 2003/009406 A1 ¶ [0035]) Thus Ross discloses agreement to be bound by Issuer's application of the Treasury regulations that govern contingent payment debt instruments. It would be within the discretion of one of

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ordinary skill in the art to maximize tax benefits under remarketed straight debt securities within the law in accordance with the disclosure of Ross.

### ***Conclusion***

5. The following is prior art made of record and not relied upon is considered pertinent to applicant's disclosure:

Seaman (US 2002/0138382 A1) teaches exchangeable securities tradable on securities, offered at a share price that corresponds to the discount price of an underlying security.

Noraev (US 7,249,083 B2) teaches investment holdings for a convertible bond investor, having return to provide equity conversion for underlying equity security based on future contingent events, where derivative instrument payment is provided on installment basis

Rifkin (US 7,257,556 B1) teaches a method and system for providing and/or offering mandatorily convertible securities with associated senior debt instruments.

Weber (US 7,305,362 B2) teaches method of determining an estimate of the market value of a traded unit of a financial instrument, and apparatus for carrying out the method.

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Birle (US 7,219,079 B2) teaches a convertible financial instrument provides incentives to holders to keep the instruments outstanding so that issuers maintain flexibility and control over the maturity date of the instrument and the manner in which it is settled.

Daughtery (US 6,263,321 B1) teaches an apparatus and process which may be implemented on a vast variety of computer systems. The apparatus and process of the present invention use a computer system to receive and store data representative of a particular asset, a type of option (call or put), requested exercise price and a multitude of other variables related to the asset.

6. Any inquiry concerning this communication or earlier communications from the examiner should be directed to Gerald C. Vizvary whose telephone number is 571-270-3268. The examiner can normally be reached on Monday thru Friday.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Ella Colbert can be reached on 571-272-6741. The fax phone number for the organization where this application or proceeding is assigned is 571-270-4268.

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Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

/Ella Colbert/  
Primary Examiner, Art Unit 3696

Gerald Vizvary  
Patent Examiner, A.U. 3696  
October 13, 2008